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**The Goderich Elevator
and Transit Co. Ltd.**

**79th Annual Report
for the year ended
March 31, 1977**

GODERICH



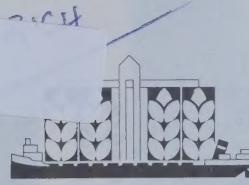
PORT OF GODERICH



1827-1977
ONTARIO, CANADA

Goderich is celebrating its 150th Anniversary this year.

Growing with the town, Goderich Elevator has been an integral part of the community for the past seventy-nine years. We are looking forward to continued growth and prosperity as part of the important development of Goderich. It is also our hope that the Town of Goderich and Goderich Elevator will continue to expand together on Lake Huron.



The Goderich Elevator
and Transit Co. Ltd.

Goderich, Ontario

STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)
Six months ended September 30th

SOURCE OF FUNDS:

Operations —	1977	1976
Net Income for period	\$112,069	\$113,523
Depreciation (not a cash outlay)	61,360	55,000
Deferred income taxes	<u>20,000</u>	<u>—</u>
	<u>193,429</u>	<u>168,523</u>

APPLICATION OF FUNDS:

Dividends paid shareholders	89,625
Additions to fixed assets	<u>223,636</u>
	<u>313,261</u>

INCREASE (DECREASE) IN WORKING CAPITAL
WORKING CAPITAL AT BEGINNING OF YEAR

WORKING CAPITAL AT SEPTEMBER 30th.

WORKING CAPITAL AT SEPTEMBER 30th.

(119,832)	168,523
<u>787,470</u>	<u>997,317</u>
<u><u>\$739,951</u></u>	<u><u>—</u></u>

TO THE SHAREHOLDERS:

The profit after taxes for the six months ending September 30th, 1977 is satisfying in that it was within \$1,500 of the previous year and was achieved on 1,000,000 bushels less grain. While it is early to predict with accuracy, it would appear our volume for the fiscal year ending next March 31st might be down as much as 2 million bushels from last year, and the majority of that attributable to less Ontario corn handling.

In order to improve our capabilities for corn we have installed a conveying gallery which will ensure a better grade of the delivered product and hopefully entice a return of more corn handling. The expenditure for this is budgeted at \$167,000. During the period we effected certain underwater dock repairs consistent with the proper upkeep of our properties at a cost of \$25,000.

Heavy capital expenditures within the period for pollution control equipment, property acquisition and the aforementioned gallery had the effect of decreasing working capital by \$119,832. In spite of this, your Directors have of this date declared a dividend of .65c regular and .35c extra, the total of \$1.00 per share to be paid January 1, 1978 to shareholders of record December 15, 1977.

Respectfully yours,



G. G. Parsons,
President.

Goderich, Ontario,
November 3, 1977.

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and Transit Co. Ltd.**

Goderich, Ontario

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Respectfully yours,

G. G. Parsons,
President.

Goderich, Ontario,
November 3, 1977.

PRESIDENT'S LETTER TO THE SHAREHOLDERS

The Company's revenue from operations reached a record level in the year ended March 31, 1977, however increased expenses and the non-recurring sale of a storage barge in each of the two previous years prevented us meeting the net income figure of those two years by a small margin.

Grain Receipts for the year at 16,992,750 bushels were the largest in the past twenty years. Particularly there was a sharp increase achieved in handling local grains which accounted for 51% of the total. The wisdom of adding equipment and facilities to service this trade was adequately borne out. Two occurrences tend to cloud the prospects for such future handlings. In the short term, last year's corn crop was high in moisture which, because of drying practices, resulted in considerable breakage of the end product. Shipments this Spring which were intended for the export market in many cases had to be diverted to the Quebec feed trade. This resulted in losses to the shippers who may be somewhat reticent to risk a repetition next year. In the long term, announcement was made recently of a new grain terminal to be built near Windsor utilizing substantial Government money for fast put through of local grains. We would expect that existing terminals at Walkerville and Sarnia will feel the competition sooner than would Goderich, but there will be some effect.

The Company just recently announced the purchase of a 1.8 acre parcel of land at Goderich Harbour. Immediate plans will see us use this for marshalling grain trucks, but in the future may permit us to enter into handling materials other than grain.

The Company is happy to identify itself with the sesquicentennial activities taking place in Goderich this year. Grain elevator operations at the present site cover 110 of the 150 years being celebrated. The Company under its existing charter, has operated for 79 of those years.

The present season has commenced on an optomistic basis. The first shipment of Western grain unloaded on April 23rd, within three days of the start last year and the prospects for continuing receipts remain about the same as a year ago. The crop outlook at the present time in Western Canada is not favourable as lack of moisture persists, but a shortfall, if it occurs would not be felt here until late 1977 or early 1978. Prospects for Ontario Wheat look encouraging with a possible 20% increase in handlings. It is early yet to forecast other Ontario grain prospects.

I would like to express appreciation to our employees and our customers who have played such an important part in the successes of the past year.

On behalf of The Board of Directors

Goderich, Ontario
May, 19, 1977

GEORGE G. PARSONS,
President



**The Goderich Elevator
and Transit Company Limited**

(Incorporated under the laws of Ontario)

Balance Sheet

March 31, 1977

(with comparative amounts at March 31, 1976)

ASSETS	1977	1976
Current:		
Cash	\$	\$ 4,852
Investments — at cost (approximate market value 1977 — \$782,360; 1976 — \$952,638)	758,747	961,990
Accounts receivable	192,562	128,897
Prepaid expenses	6,500	8,200
Accrued revenue from grain storage	2,024	4,561
Total current assets	959,833	1,108,500
 Fixed:		
Land — at cost	105,418	105,418
Land and water lots held under lease — at nominal value	1	1
Docks, buildings, barges, machinery and equipment — at cost	3,161,573	2,716,084
Less accumulated depreciation	3,266,992 1,596,704	2,821,503 1,504,650
	1,670,288	1,316,853
	\$2,630,121	\$2,425,353

(see accompanying notes)

LIABILITIES AND SHAREHOLDERS' EQUITY

1977

1976

Current:

Due to bankers — on current account	\$ 9,492	\$
— on demand loan	75,000	30,000
Accounts payable and accrued charges	56,635	71,173
Taxes payable	31,236	10,010
Total current liabilities	172,363	111,183
Deferred income taxes:	356,000	308,000

Shareholders' equity:

Capital		
Authorized less purchased for cancellation:		
89,625 shares of no par value		
Issued and fully paid:		
89,625 shares	1,048,333	1,048,333
Retained earnings	1,053,425	957,837
Total shareholders' equity	2,101,758	2,006,170

On behalf of the Board

Director, G. G. Parsons

Director, D. B. Weldon

\$2,630,121 \$2,425,353

(see accompanying notes)

Statement of Income

March 31, 1977

(with comparative amounts for 1976)

	1977	1976
Revenue from elevation, storage, shovelling and other charges	\$1,706,927	\$1,233,200
Expenses:		
Operating expenses —		
Wages of superintendent, weighmen, operators, etc.	585,679	413,036
Municipal taxes	135,245	117,161
Supplies, repairs and maintenance	179,346	129,656
Power, water and light	45,415	35,231
Insurance and elevator bond premiums	57,752	42,223
Insurance on grain in storage	13,812	14,870
Employees' pension plan	7,541	7,849
	1,024,790	760,026
Depreciation	97,526	80,190
Administration expenses —		
Management and office salaries	95,003	87,856
Directors' fees	8,500	8,500
Office expenses, employee benefits, travelling, donations, etc.	118,563	91,805
	222,066	188,161
Total expenses	1,344,382	1,028,377
Income from operations	362,545	204,823
Other income (expenses):		
Investment income	56,856	64,268
Gain (loss) on sale of investments	(18,563)	(14,142)
Gain on disposal of fixed assets		123,959
	38,293	174,085
Income before taxes on income	400,838	378,908
Taxes on income — current (note 2)	76,000	104,000
— deferred	50,000	(15,000)
	126,000	89,000
Net income for year	\$ 274,838	\$ 289,908
Earnings per share	\$ 3.07	\$ 3.23

(see accompanying notes)

Statement of Changes in Financial Position

March 31, 1977

(with comparative amounts for 1976)

1977

1976

Source of funds:

Operations —

Net income for year	\$ 274,838	\$ 289,908
Charges (credits) to income not affecting working capital in the current period:		
Depreciation	97,526	80,190
Deferred income taxes on non-current items	48,000	(17,000)
Gain on disposal of fixed assets		(123,959)
	420,364	229,139
Proceeds on disposal of fixed assets	1,824	145,000
	422,188	374,139

Application of funds:

Dividends	179,250	179,500
Purchase of fixed assets	452,785	57,109
Purchase of shares		4,225
	632,035	240,834
Increase (decrease) in working capital	(209,847)	133,305
Working capital, beginning of year	997,317	864,012
Working capital, end of year	\$ 787,470	\$ 997,317

Represented by:

Current assets	\$ 959,833	\$ 1,108,500
Current liabilities	172,363	111,183
	\$ 787,470	\$ 997,317

Statement of Retained Earnings

March 31, 1977

(with comparative amounts for 1976)

1977

1976

Balance, beginning of year	\$ 957,837	\$ 848,729
Add:		
Net income for year	274,838	289,908
	1,232,675	1,138,637
Deduct:		
Dividends paid of \$2.00 per share in 1977 and 1976	179,250	179,500
Excess of purchase price of company's shares over average paid-up capital		1,300
	179,250	180,800
Balance, end of year	\$ 1,053,425	\$ 957,837

(see accompanying notes)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1977

1. ACCOUNTING POLICIES

The accounting policies of the company are in accordance with generally accepted accounting principles and their basis of application is consistent with that of last year. Outlined below are those policies considered particularly significant.

Fixed assets and depreciation

Fixed assets are stated at acquisition cost except land and water lots held under lease which are recorded at the nominal value of \$1. Depreciation is provided on a straight line basis, generally using the following rates:

Docks, buildings and attached machinery	— over length of government lease extending to 2001
Equipment	— 10%
Automobile	— 25%
Barges	— 5% with \$15,000 scrap value
Pollution control equipment*	— 15 years

Deferred income taxes

The company follows the tax allocation method of providing for income taxes. Under this method the provision for income taxes is determined from the income reported in the statement of income rather than from the company's income for tax purposes. Deferred income taxes on the balance sheet have resulted from claiming depreciation and other items for tax purposes in amounts which exceed the charges recorded in the accounts. In the years when the amounts being claimed for tax purposes are less than those being claimed in the statement of income, the deferred income tax balance is reduced accordingly.

Earnings per share

Earnings per share are calculated based on the weighted average of shares outstanding during the year.

2. TAXES ON INCOME

Under the Income Tax Act, Canada, the company is classified as a private corporation and, therefore, certain taxes paid relative to dividend and interest income are potentially refundable; accordingly, these taxes are not deducted in arriving at the net income for the year but are shown as a deduction from retained earnings. Refunds of these taxes can normally be obtained at the rate of \$1 for each \$3 of taxable dividends paid. Sufficient dividends were paid during the year to recover all such taxes.

3. CUMULATIVE DEDUCTION ACCOUNT

The company's cumulative deduction account, which limits the amount of taxable income eligible for the federal small business deduction, is estimated at approximately \$595,000 as at March 31, 1977. Under the Income Tax Act, Canada, when the company's cumulative deduction account exceeds \$750,000, it is no longer eligible for the federal small business deduction.

4. FIXED ASSET COMMITMENTS

As at March 31, 1977 the company has fixed asset purchase commitments of approximately \$75,000.

5. REMUNERATION

The aggregate remuneration of directors and senior officers as required by Section 178 of The Business Corporations Act, 1970, Ontario was \$161,500 in 1977 and \$119,837 in 1976. These amounts include remuneration of four employees (three in 1976) who are not considered to be part of the management of the company.

Clarkson, Gordon & Co.

Chartered Accountants

Northern Life Tower, City Centre,
380 Wellington Street, London, Canada N6A 5B5

AUDITORS' REPORT

To the Shareholders of
The Goderich Elevator and
Transit Company Limited.

We have examined the balance sheet of The Goderich Elevator and Transit Company Limited as at March 31, 1977 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at March 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada.
April 21, 1977.

Clarkson, Gordon & Co.
Chartered Accountants.

DIRECTORS

***H. C. HEIMBECKER**
Parrish & Heimbecker Ltd.
Toronto, Ontario

K. W. JONES
Winnipeg Charterers Ltd.
Winnipeg, Manitoba

R. MURRAY
Cargil Grain Co. Ltd.
Winnipeg, Manitoba

K. B. MacMILLAN
Jas. Richardson & Sons Ltd.
Winnipeg, Manitoba

***G. G. PARSONS**
Goderich Elevator & Transit Co. Ltd.
Goderich, Ontario

***C. L. TURNER**
Maple Leaf Mills Ltd.
Toronto, Ontario

DAVID B. WELDON
Midland-Doherty Ltd.
Toronto, Ontario

*Audit Committee

**EXECUTIVE
OFFICERS**

G. G. PARSONS
President-Manager

DAVID B. WELDON
Vice-President

J. C. CHISHOLM
Secretary

J. B. LOCKHART
Treasurer

**EXECUTIVE
COMMITTEE**

H. C. HEIMBECKER
Chairman

DAVID B. WELDON
G. G. PARSONS

AUDITORS

CLARKSON, GORDON & CO.
London, Ontario

BANKERS

ROYAL BANK OF CANADA

**TRANSFER AND
REGISTER AGENTS**

Share transfers effected at
the Company's office in Goderich

FISCAL AGENTS

MIDLAND-DOHERTY LTD.
Toronto, Ontario

SOLICITORS

DONNELLY AND MURPHY
Goderich, Ontario

